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Finding Your Way as an Entrepreneur [Entire Talk]

Drew Houston, *Dropbox*

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Co-Founder Drew Houston shares personal moments from starting the cloud-based file storage service Dropbox. Houston touches on the importance of persevering through early challenges at a startup, selecting the right co-founder, and focusing on solving problems to maximize customer happiness.

Transcript

Let's welcome Drew Houston. All right. Can you guys hear me okay? Good. So it's really a pleasure to be here and surreal for me in a couple of different ways, but a big turning point on kind of my whole entrepreneurial adventure was actually about five years ago, maybe six years ago. There is this thing called startup school, which is held in an auditorium not too far from here. So it's been a pretty crazy journey since then that I hope to tell you guys a little about. And so what I want to talk about is first and foremost a little bit of the Dropbox story, especially the early days and how we got started. And maybe thread through there, some of the lessons you can draw from that and when I was embarking on this journey, it was actually I graduated with my undergrad degree in computer science about six years ago. So, it hasn't been that long, but it would have been awesome if like someone sat me down and told me what the journey would be like. So, I'm trying to think of this in kind of those terms, what do I wish, someone had told me when I was, 21, 22 just getting started because it was a pretty kind of - well you sort of - what I was thinking about the whole startup world was kind of like climbing mountain doom, right, you don't know how tall it is, but there is a lot of fire and things exploding all around you, a lot of smoke and it's really steep and, you know, even if you know where you're going right now things are going to get gnarly down the road.

So, if I can do anything to kind of demystify some of the process too, I hope I can do that. So, thanks again. A little bit about me. So I grew up as little kid I was programming computers. Studied computer science in MIT, I've learned not to fight those kinds of battles, but, it is the Stanford of the East I guess you could call it. And that was really kind of the beginning and one thing I realized there was I had been programming for a while, so actually I felt I had a pretty good handle on the building part of things. But then I was really fascinated by the world of business too and throughout high school and college I had worked at a bunch of different startups and more than anything else working at a startup was the most kind of informative experience for me, the thing that prepared me best for this kind of whole journey and that was a little counterintuitive because especially if you go to a competitive school, you grow up and life is all about checking these boxes right? First you got and you go get the right test scores, you got to get the right GPA, you got to do these different things to kind of be prepared and sort of look good, be good enough to be admitted into a good school. And so if you kind of carry that logic forward you imagine that the right path to startups would be something like well, what got me here was checking out these boxes and I can think of all kinds of other boxes that I should check off before I'm like really ready to start a company. Among them maybe I should get a bunch of graduate degrees, so I'm a really good engineer, maybe I should go get an MBA, so I know about business, maybe I should go work at a big company, or like a tech company like Google, then maybe I should work at a medium company, then a small company, then sometime in my 30s, 40s, 50s, I will be prepared to start a company. And empirically, there is no, I mean, one thing about this whole world is a bunch of different paths to success, but empirically it's sort of surprising that so many other companies, you would think about in the hall of fame, were started by people who were basically had no idea what the hell they were doing either.

And so if you have that feeling, it should be of some comfort that Amazon, Google, Facebook, Apple, all these things were started by first or second time entrepreneurs who were really figuring it out along the way too. And so don't be too daunted if you don't have all the answers, but, one important part of the Dropbox story began when one of my best friends, this guy name Adam - Adam Smith, he started a company called Xobni and he got funding from this group of people called Y Combinator. And back then they were still doing it in Boston as well as out here and I was literally camped out in his living room, while he was working on his company. And I had been working on a company, I had bootstrapped of all things an SAT prep company, sometime - starting sometime in 2004, and like most first efforts, I had no idea what I was doing. In retrospect I did all kinds of things wrong, but the biggest thing that was illuminating was just - so what happened with Adam was he got a little bit of funding in - at the beginning of the summer and at the end of the summer he moved out here. He moved out to - well, he moved up to the city, to San Francisco, and suddenly he was talking to like all these people, billionaires and famous entrepreneurs that I only read about and the next thing I know I get this phone call from him being like, hey we just got like $5 million from Vinod Khosla, and I was like oh my god! And Adam and I were fraternity brothers at MIT and he was actually my little brother and so kind of a stark contrast between, you know, not - less than a year prior probably my best memories of Adam were in our game room in our fraternity playing beer pong, not exactly expecting to be wheelbarrowing away millions of dollars of cash, so I was like well - all right, if Adam can do it, I can too. And so never underestimate some of the baser motivations and how they can propel you forward or maybe as a more practical piece of advice. There is some quote you're an average of your five closest friends. So, it can really help to be in a place where your closest friends are also interested in startups and you're all kind of pushing each other forward in a good natured way, but there is also an undercurrent of competition that can really be helpful. So, I saw the experience that Adam went through with Xobni and Y Combinator, I was having sort of this - it helped me discover that I was kind of having this crisis and it couldn't put a name to it, but it is something like burn out where I've been working on my SAT prep company for two or three years part time.

And while I was finishing up my degree and I was like, I haven't even asked myself, like in the best case scenario what happens, and I'm sort of thinking like well, best case scenario like I'm kind of like king of SAT prep and I kind of imagine like a little cardboard, Burger King crown of something. So I'm like - I'm not even really excited about that because like there is not really - I mean, there - I mean I love standardized testing as much as any hormonally balanced person can. But I'm like this is probably not my calling, so - and so I was like well, okay I had spend so much time on this thing, I should really think carefully about what I do next and I was like okay, it should really come down to a few things. And one of them was it had to be something that was deeply technical because at heart, since I was a little - technology is what I really love and I would love for whatever company I start to have technology as kind of the core source of it's competitive advantage. Two, is I wanted something that I could explain to normal people in a bar or coffee shop or something and have them vaguely know what I'm talking about and so there are lots of interesting ideas that some elements of infrastructure, software - enterprise software that kind of ruled that out even though it was technical interesting. And third was it had to be something that had a working business model because actually this was kind of the height of Web 2.0, it was all kind of back to eye balls and do different things, but I didn't really understand how that works if, you know, can kind of eventually get people to pay for your stuff or at least four people, or how ever many were in here. So, it was a good exercise for me because then I was able to think long and hard about what I did next and I found myself in this really bizarre situation where the same way that like social or mobile or local startups are kind of the fad right now. In late 2006, early 2007 cloud storage, or online storage startups were kind of the thing that is like the startup cliche basically and so on TechCrunch you would have these roundups, so like okay here are the next 100 online storage companies that have launched and it was just kind of a joke and, but at the same time I had all these problems with this because I had this company and all of our crown jewels I had on this little thumb drive and I was always like one stupid mistake away from disaster, right. I would carry it like in my shorts and I would pull it out, and the connector would be bent and I would like pray that I could like bend it back softly, but firmly enough so it would keep working. And I would - I mean, these are all things that people would do, I would still be emailing myself stuff, I would still be carrying this thing around, on my little leash and it just drove me nuts and I went through Michael Arrington's articles and I tried all 100 other things and I found something interesting where none of them really solved the problem for me, even though there were a lot of them.

And in particular you had to get like one thing to - one service that was like a website, you could upload your stuff too and then you had get another app that was like that would sync things across your computers and you get another app to back up your computer and I'm like as we would later tell investors like, I mean, I can't really imagine Tom Cruise in Minority Report like logging into his Gmail to like pick up the attachment he sent himself that morning or like forgetting his thumb drive, it was just over here and your stuff follows you round and that's the whole point like someone else takes care of it. And we had a glimpse of that at school and I'm sure you guys have something similar, we had this system called Athena, where you sit down at any of tens of thousands of computers across campus, all your stuff's in front of you, you don't think about it and it's kind of - it's not a very - it's not a consumer kind of typical environment so it's kind of Unix focused and things like that. But still you're not like sprinting back across campus to take up your paper, you're not worried about backing it up because again someone else was just taking care of it. And nobody here really built that for the rest of the world and like this was pre, you know, iPhone and iPad and all the amazing things that have happened in the last five years and it wasn't actually a very mainstream use case, I mean, people were not syncing things across like six Linux PCs, even then most people just had one computer. But anyways it drove me nuts enough where the kind of last straw was - I was in Boston South Station at the Chinatown bus terminal and if any of

you had the pleasure of riding the Chinatown bus, it costs like 10 or 15 bucks and it takes you from Boston to New York and is famous for such things like tipping over or things like that. So, fortunately that wasn't part of the story. And I got to New York okay, but there was a problem which is I had been making this mental checklist of like all these great things that I was going to get done because I had four hours in front of me where nobody was going to bother me and here all the great things I was kind of accomplish and I excitedly sit down, I open up my, I guess, ThinkPad at the time and I'm like I get that feeling in the pit of my stomach which many of you have experienced at one time or another where I was like start feeling around in my pocket and I just get this vivid picture in my head of my thumb drive sitting on my desk at home and, you know, and then I'm like okay, instead of getting all these wonderful things done, I'm just going to think about what an idiot I'm for the next four hours, but thought for about 10 or 15 minutes, but then actually open up the editor and started writing some code having actually no idea what this would turn into, but I'm getting so frustrated that nobody had really solved this problem. And so that was kind of the beginning of it and then through kind of a interesting chain of events I met my cofounder Arash actually put up a - I put up a screencast of Dropbox on Hacker News and Arash actually saw it and it turned out one of the other things I did on this trip out to California five years ago, back in March 2007, was come out to meet a bunch of the Y Combinator founders and complain how I didn't have a cofounder and it turned out, I met someone who was a mutual friend of mine and Arash's and he made an introduction to us and we met up at the MIT Student Center and hung out for an hour or two and talked about MySQL and some other things and Dropbox and they were like yeah, of course we will like to spend all of our waking hours together for the foreseeable future. So kind of like getting married on the first date. But, you know, if anything doesn't, just an extraordinarily lucky break that ended up working out and we ended up having all these complementary skills and a great relationship, but I would recommend getting to know, its not the safe way to do it, but that's the one - probably the most important decision you make, is who your cofounder is.

But anyway so, Arash and I applied to Y Combinator and we get in, and we spend this blissful summer of doing nothing but waking up, writing code till the sun goes down, then it comes up again and then I would drive back and drop him off at his dorm room at MIT and I would race home and we would do it again probably for 90 days straight. And so one of the great things about Y Combinator is it kind of plugs you in, it's sort of a startup boot camp where you encounter all these classic characters that you meet out here, work, you know, so here talks - there is, all the program is really is weekly dinners, and you have talks from entrepreneurs and lawyers, investors, just all these different people, and they kind of start giving you context around what you need to know, and one of the most challenging things as a founder is really you discover very quickly that you know a lot about the technical founders, you know a lot about the engineering, but there is always other things you got to - you certainly have to care about from sales to finance to management strategy, like all these different things. And one of the things I had done that was really valuable in college, is during the summers I would go up on to the roof of our house and I'd just go on Amazon and I would like search like sales and I look for like the highest rated book on that, and like buy it and do the same thing for all of those different disciplines and it actually was absolutely instrumental in helping me start to understand how all these things worked. And you don't become a great salesperson by reading a book any more than you become a great guitarist or basketball player by reading a book. But it can start to give you some sense of, you know, for people that are really great at this, what do they think about, and this really kind of important kind of 80-20 aspect of sort of learning the basics about a given discipline, that was really helpful for me. But anyway, so Y Combinator, this is this amazing experience, and we moved out of Boston to San Francisco. And to just give you a kind of flavor of the kinds of things that you have to deal with when you're sort of trying to figure all this out is through another series of events, we got introduced to this venture firm called Sequoia Capital. And it's the kind of thing where you walk into the chalets a couple of miles away from here, and for someone who never really spent much time in California or never spent much time in the whole ecosystem it's pretty daunting because you look and it's like okay, there is like a picture of Steve Jobs and there is a - the original Google S1 or the stock certificates from the IPO and you are just like I don't really belong here, I'm just like some - we're just a bunch, couple of - Arash actually dropped out of school, so he gets all the startup credit, but anyway so, there we are, and we actually hit it off with the partner there, and then through, sort of muddle our way through and I'm desperately calling people at night asking for advice on fundraising, different things through people I had met. And somehow we found ourselves in a situation where they decided to invest, and I'm like oh my God this is amazing, and you know we're going through all this process and it happened pretty quickly, we showed up on a Friday, bit of handshake deal on Monday night, so one business day turnaround, which was pretty convenient. And then I had this new problem which was, the finance people are like emailing me like okay please send me your wiring instructions.

I'm like wiring instructions, like the only training I had wiring instructions was, I think that happened in like James Bond movies, and I'm like I'm pretty sure we only have like the "my first business" checking account from Bank of America that we set up in the CambridgeSide Galleria Mall, and I'm like so this might be tough. So, Arash and I go to the North Beach branch of the Bank of America, and we we're like well, so you got the teller people, and you got the leather seat people, and we look at each other like, it's probably a leather seat problem. And we sit down and the woman was really nice, she was like, how can I help you, and I'm like is there a limit to how much a bank account can hold? And she was like, well what do you mean? And like I was dressed in shorts and a hoody and Arash was even more disheveled, and I'm like well, can it hold $1 million? And she was like yeah, and so, and I don't know if she thought it was like drugs or this kind of thing happens all the time out here, but both sides very quickly stopped asking questions and we got our routing number and everything and went back, but there is no like startup manual where you are like oh, well here is how that works, and so a lot of it is really, even when you look - at

some of these amazingly successful companies and having had a chance to meet a lot of those people, so much of what makes startups crazy is just kind of this iterative process of just having these random things happen to you, or having these ideas and just kind of figuring it out. And I talk about some of the kind of more humble beginnings because I think there is this huge disservice that kind of the - of the sort of Silicon Valley methodology, and the things you read in magazines where it's like, you know, right from the moment he was sitting in his dorm room at Harvard, Mark Zuckerberg sought to redefine the face of human communication. And you know, and Google they were going to organize all the world's information and all these different things and you sort of sit there and you're like, you're just trying to like write code and hope it compiles. And you're like, well I know I'm not quite like that, and I'm not thinking about that, I'm thinking about like we have $60 left in our checking account and I can't loan the company any more money. So anyway, the point is like, in fact Facebook it was number, like project number seven or eight that Mark happened to be hacking on and it just happened to sign up the whole Harvard campus in a couple of weeks, but and Google, like they were - they were rejected when they offered - they wanted to sell the company for $1 million to Yahoo, and so the point is, all these things start with much more modest ambitions, and even the sort of, the great entrepreneurs. And the - as you sort of reach each of these new milestones, you're like okay, the goalposts move back and so your ambitions are going to be much broader over time, and this is kind of - all this doesn't happen overnight. So when you kind of look at - I talked at the beginning of how kind of daunting everything seems because there is like the little sort of corner of stuff that you know, and this world of stuff that you don't - often that can be enough of a barrier to stop people from even getting started. So, just realize that this - that you have to be systematic about how you learn all these things, but this all happens one day at a time, and so then there were a couple of other things that were pretty instrumental in our - in the early years of Dropbox.

And one of them was really figuring out distribution. And I think it's something that people kind of underestimate, the importance of that. And it was especially interesting in our case because we made a couple of mistakes. One was like really kind of right, we're launching this company and we should probably get real, and like hire PR people and advertising guys and different things and SEO, buy AdWords and all this stuff, and so we bought a lot of AdWords, and we spent a bunch of money and time on this and the results were just terrible, it cost us like $500 or $1,000 to acquire a user that was going to pay us $100 and so, very clear that that wasn't going to work. But we had actually done these more kind of guerilla things, which was inspired by reading the book Guerilla Marketing which was actually really instrumental in thinking about this, where we put this video of Dropbox on Digg in 2007. Sorry, March 2008, about a year after we started. And what we managed to do is we put all these little Easter eggs in it, and because - and if you're familiar with the Digg, or with Digg or Reddit are kind of these classic internet communities and they have these little memes, and things like that and it was just this deadpan demo of me talking over a sort of a screen. But the files were all named things, like named after like Chocolate Rain which is a YouTube sensation - well, YouTube, one of these viral videos back in the day. And it references office space and Obama and xkcd and all these things. But it was just me kind of deadpanning everything, oh, this is how Dropbox works.

And the thing just like - and we put it - we get a kind of a little bit of a link bait title, I think it was Google Drive killer coming from MIT startup. So, go big. And so the thing just like absolutely took off, it hit the top - it hit the top of Digg, it was like 12,000 Diggs, hundreds of thousands of people visited the - what used to be - getdropbox.com, that was our first domain name, that's a whole other story. But anyway, all these people visited the website and like our beta waiting list went from 5,000 to 75,000 people overnight, which is because we had been wringing our hands about this kind of critical mass problem, and how do we get started, and just that one kind of ghetto thing that we did ended up working extremely well. In fact, nothing well - it solved literally overnight, our distribution problem or the at least the getting started problem. And the lesson there is not to make a video and put it on Digg, because that probably wouldn't work very well anymore, but the - but really understand - there are a couple of insights that came from that. One is - another thing I learned from one these books, called Crossing the Chasm is you have this technology adoption life cycle and you have these people who - most people are not searching the internet for like cool things that they can download on to their computer or like want more buttons on their Blu-ray remote, right. But there are some people who are like that, and they're called early adopters and they kind of seek out technology for its own sake. And any service or any company has some kind of early adopters whether it's fashion or cars or, in our case it's really technology and kind of this tool, or this utility, and Digg was - just happened to be the kind of place where those people hung out, and where those people would really take to something like this even though they couldn't download it yet. And so understanding our early customer was really valuable there, and that's kind of - that's one way that we did that.

The other problem we discovered is that no one's really searching for what we were building. No one was like waking up in the middle of night, you know like, oh my god, I wish I didn't have to like email myself stuff, or like carry it on the thumb drive, that's just like how your computer works. And I wish I had a washing machine I can put clothes in, press a button, they're clean, they come out but like I'm not like waking up the middle night, you know, like man that really sucks, there's like this washer thing, there is a dryer, and you have to like put it in one, and wait, and put it in the other, but - that's just like how it works. And so if - from that angle it's like well it doesn't matter how many, you can buy all the AdWords in the world, but if no-one's searching for what you're making then you have a problem and so you have to find other ways of doing that. And so the thing that really worked for us was first make a product that people really love to use and there is all kinds of things, elements that go into the craftsmanship and all these little thousands of details that we had to sand down, and all these things at some of the

other companies didn't really get quite right from an engineering standpoint. But then if you're able to do that, then Dropbox actually happened to fall in this category, of sort of unusual category where it solves a problem you don't even know you have, and it actually works. And unlike that Blu-ray player, when you're just - all you're trying to do is like watch Batman and you can't even plug it into your TV, that's people's kind of average experience with technology, and so one way to conceptualize what makes a good product is, good engineering is part of it, good design is part of it, but really it's - what I think about it, at least is maximizing the probability that someone shows up at the front door of your store or your website or whatever it is, and ends up with a solved problem. And that's why things like Craigslist, started in the '90s, doesn't appear to have been updated since the '90s, still by far the most successful website - most successful business of its kind, because you show up at craigslist.org and you leave with your concert tickets or your casual encounter, whatever you're looking for. Even though the design isn't that great, you know, maybe it's not that hard of an engineering problem, different things, it's unbelievably successful. So, anyway it starts with a good - in my opinion it really starts with a great product, and all the marketing or tricks in the world, it's - you're not going to push a rock uphill.

And then the second thing where we - so once we understood that, then it made it a lot easy for us to conceptualize this. And so what we did instead, we were like okay, well we have all these people who appear to really love Dropbox, and the only reason we're like succeeding at all, beside this sort of Digg maneuver we did in the beginning, is because they're telling their friends about it. So why don't we just like harness that? And how can we get people tools to spread the word? And so what we did was two things that drive the vast majority of our - all of our traffic today or all of our sign ups, which are one, we made this Incentive Referral Program where if I tell you about Dropbox, you get some extra space and I get some extra space, and we have this kind of currency to work with, and people were just doing that kind of for its own sake, where people weren't even using that extra space, they were just referring to friends because they like, it's like points, right. It's this whole - what we'd now call kind of a gamification mechanic even though we didn't - I don't know if that even - that word had been around back then, but that's what it happened to be, and then the other thing is we created this idea of shared folders, where if I'm working on a project at work, or I want to share these photos with my family, then all these new - all these users are just by using the product, you get bought into the fold. And there is this whole, you know, now there is this whole body of art and science on how to do that and how consumer net companies grow and how viral growth works. But anyway, it was - these things were instrumental to how we got started. And so there's all kind of things I could say about, sort of the intervening years, and sort of like the one of the frustrating things about giving a talk that's like a half hour, it's like you have to omit, it's like the montage where you know Rocky's punching or whatever and suddenly you're like, you know, I don't know but then obvious - but you're making a good product, finding ways to get distribution. Then the last thing I'll really touch on is, because I had a chance to ask Mike Morris, like what really separates the great companies from other companies that are out there in technology? And he was like, one is he said, hiring the best engineers, and two, the founders having a morbid fascination with the product. And I'm not even going to try to do the whole Welsh accent thing, but those two things will carry you a long way, and then I'm sure he would add having a really big market and all the other things that matter in a business. But probably the most amazing thing for me is when it works out, and the thing that attracted me to this in the first place was really kind of, never - like having a high learning curve, so that part is taken care of, is always, you're never bored there's never things to - never a shortage of things to worry about or that are new.

But what's really exciting is now we have this - from the starting point, we have the canvas we're painting on as we've gone from millions of users a couple of years ago, to tens of millions of users, you know, soon we'll have a very clear path to hundreds of millions of users. Of all the people that have thought about kind of like building the internet file system, or this fabric that kind of connects all the world's devices and services and apps. We are actually the ones who get to build it, and when you think about someone who builds things, and who studies computer science, you're probably not going to go to Super Bowl, probably not going to be in Hollywood, in movies, but so for this, this really is the Super Bowl and when it works out, and you actually sit down, you're like - you look over someone's shoulder at a Starbucks and see a little blue box or you add up, this many millions of people or tens of millions of people or hundreds or millions of people, time saving them like 10 minutes, are making their life like 1% better or whatever, suddenly it's like okay, it's like lifetimes of pain that we're saving people every day. And then it's just - this is the most like amazing path to actually, you know, if it all works out, actually changing the world. So, I promised to leave time for Q&A so I guess we will leave it at that. How do you fend off competitors, like now Google Drive and SkyDrive? Could you repeat the question? Yeah. The question is how do you fend off competitors, especially when they're the largest internet companies in the world. We think about that from time to time. The - another sort of bias is you always kind of overestimate competition, not that it should be underestimated, but for companies like ours, and you think about any company that has gotten to sort of - plenty of stories of companies where they got a really great headstart and then somehow things went south. You know, Netscape or MySpace or there are bunch of companies that you could say fall in this category, and when you talk to people in those companies, there is a very clear trend, which is that suicide is a much more common cause of death than homicide, meaning often there is a - companies are getting built faster than ever like in the history of the world.

And so along with that kind of hyper growth are all these different cancers that you can get, and so things are going to go wrong, you know. My favorite analogy on this was Marc Andreessen and he is like okay, so he was trying to build a bigger cake in five minutes. Like no matter how good you are, you've had egg on the ceiling there is stuff on the walls, you can just pray

when you pull the cake out, maybe it's a little bit lopsided you can kind like squish it back. But like if you forget the eggs, or you forget the sugar, you can't like sprinkle them on later. So, how do you figure out the stuff, or how do you figure out what stuff you can't fix later. I will come back to the competition thing in a second, sorry for such a tangent. And so, often what happens at those companies that screwed up, if you talk to people inside them, they're like, well we - just, we lost our focus or we hired people that weren't as good, and then the talented people we got in the beginning looked around and they were like I'm tired of fixing this person's bugs or that they don't work as hard or all this stuff, and life is short, I'm a talented person, I want to go find the place that has a lot of talented people. So, actually the point about hiring the very best people is something we spend a ton of time on, because that's again - that's the thing you can't sprinkle on later, if you ever lose it, it's gone. And then the other is really distraction, some pretty heartbreaking stories out there of companies that were really promising, but then either start trying to do too many things or Friendster the - that the founder complaining that his board was trying to get him to chase all these deals with MTV and all these like shiny objects when he is like, guys the site won't even load, it like - takes like 10 seconds for the web page to show up. And so the power of focus is - the focus is really powerful.

And again, you try to figure out those elements as you sort of start from like just coding to like designing and designing systems of code and algorithms to designing systems of people, and figuring out the things that other companies have learned about that along the way. And, so while it's something that's really important to keep track of, you know, most of it, if you actually look at all the data points it's really more often the problems begin at home, not because of some competition. And so how - the way we will respond, the kind of way we are responding, competition is actually very little is changing, like nothing in our roadmap actually changed. Maybe a couple of things that got reordered, but we just focus on maximizing the number of happy Dropbox users, and figuring out problems, more problems, that people don't even know they have and solving them, right. So, lots of - we are never going to run out of examples of that, right. You know you look at your iPhone, and you're like wow it has like a whatever megapixel camera and it takes HD video, but then you know, how do I see that on my Samsung TV, or why is it that - oh my god this is - I just discovered I left my iPhone in a cab and now like oh my newborn kid's pictures are like gone forever, like it's a problem you never had to worry about before. And so we think a lot about what kinds of problems that people don't even know they have, and think about solving them, and we think we're the only people that really think about it this way and so, keeping our users happy and hiring the best people, those are the two main things, and you can screw up all kinds of other stuff if you get those two right. How do you make good business decisions? That's kind of a hard - it's a hard question to answer. I think for - so there the question is how do you make good business decisions, and it's a kind of a hard question to provide a pithy answer like how do you play guitar well. I mean, there's a lot - there is a bunch of things going in, it's a good question, but I think it's really about prioritizing those things and thinking about just that, how we get the best people into the company, how do we build a great product, how we make our users really happy.

And then, especially as a first time CEO, how do, you have to, like it was really helpful to me to just try and really research how all of these companies worked, especially on the way up. How did Google work, how did - and not just like internet companies, how did Intel work, how did companies in the '70s work, I mean what was the kind of - learned - kind of get as many lenses on these different things from a - to view things from the sales lens or a behavioral psychology lens or a management lens, all these different things, and so bringing those different kinds of perspectives - giving yourself context around those things, and having a lot of tools to kind of deal with any business situation, I think are one framework for making good decisions. And hiring good - like great people into the company that can help you with that stuff. Could you tell a little more about the investment process like, the first time you got investment from Sequoia, was it like a no brainer, did they offer, did you take whatever they offered to you, negotiate or was it very simple? It's complicated. I mean there is a lot of stuff, that's sort of one of these - it's kind of a classic kind of pitfall thing that you can spend a ton of time worrying about. And - but I'm sure any venture capitalist - you could be the worst negotiator in the world, but if you're like, god, we're just getting so much traffic, we just need money for servers, like can you please, and we have all these people who are using it, we just need some money, you're going to get some pretty good venture capital investment if that's the problem you actually have and how do you do that? You get traction. And so there is a whole body of knowledge on that, it's actually pretty well spelled out in venturehacks.com is the - is where I learned and I think is probably the best site out there, that goes over the nuts and bolts of venture investment and a bunch of other interesting stuff. Drew, fantastic service first of all, I've been addicted to Dropbox for the last two years in grad school, use it every day of my life and it's been fantastic. Thank you. My question that leads up to that, my usage is that I'm at my 5GB and I'm the guy who doesn't like to pay for services, that's the proof of the matter, right.

I do that from Netflix for $7.99 and that's pretty much it, and I try to feign the payment. So what I do is I tell my mom to join, my dad to join, who don't know anything about technology, they're not going to be using Dropbox any time soon. So how do you make this happen, because I'm kind of, for now I'm actually using Amazon Drive, I'm using a little bit of Microsoft, and I'm using Dropbox. How do you get people to pay money and make money for your business because valuations are all right, but money needs to come in? Question is how do we actually convince people to pay for what we're making? And actually even for Dropbox as it is - there is all kinds of ways that, that you can use the service without actually paying for it. And then there are even things you can do around, using a sort of putting this stuff on Amazon, this stuff on Google, this stuff on Dropbox and so on. I mean, our fundamental value proposition is that like we keep all of your stuff in one place and we do a better job with that than anybody else, and we have - you're free to not have to worry about all this stuff like, you know, is it going to work with my

phone, is it going to work with my computer, we support all these different platforms, and provide - what we hope is a uniformly great experience. And a lot of people just want to solve problem and rather than going to all that trouble of sort of partitioning your stuff across all these different places, that's actually the point of Dropbox is to bring it all together, and they would rather have that than $10 a month or $100 a year. So, fortunately that goes back to the technology and option curve, like some people just - people just have different proclivities for like paying for things or not, and so we just make sure that we're solving a problem that's big enough for people that would rather pay for it than just then have to like deal with all these other hurdles. Do you see enough people paying for it? Yes, the paid services are popular and I can't - I make everybody else be quiet about that, so I have to too. Can you tell us about a few of the things that crossed your path that you guys decided not to go with? The things that seemed like good ideas but then you decided to discard them.

So the question is, are the things that seemed like a promising path that we decided not to do, there are all kinds of things. I mean that is almost the essence of what makes the job difficult. There is these thousands of things that we could go do, and all these shiny objects and usually most of the things, we look back on and like that was a dead end, a lot of them, we tried to get Dropbox sort of preinstalled on PCs, and all these different things and do deals very early on, and the problem was just sort of classic negotiation, we had no leverage. So they're going to just push us around, they made all these ridiculous demands, and we kind of, it's like harpooning this whale, it is like taking you all over the place. And now it's a completely different story, we have a big audience and a brand and all these different things, but, yeah I will give you an example. The number one thing our users are, more power users ask for, which is the ability to watch multiple folders with your Dropbox. And they're like why, you guys can see it on Votebox, which is our - our sort of way of, that we let our users vote on different features that they want and make requests, like why the hell haven't you guys let me - why don't you let me watch multiple folders because I want to watch my documents, I want to watch, map all these different things, and the reason is, well the initial reason was like, we built something simple because we didn't have time to build something complicated. So, it was more technically complicated, there was a lot of UI code, there was all this different stuff, that I would have had to go - I would have gone and had, have built and we just didn't have time to build it because we wanted to get something out the door. But then we realized this is this great benefit to the simplicity of the model where your Dropbox will look the same on your phone as it does it on your computer and it's pretty easy to explain to people that you have this magic folder and anything you save in here saves everywhere and all these different benefits and conventionally, playing with the other products is sort of like, well welcome into this and please configure your folder mapping and some people love that and that's great. But most people are very, very confused and if you're already skeptical enough that here's this like new thing that you've never seen before and now they're asking you about folder mappings and you know you don't spend your time worrying about folders and files and things like that, and you're going to be pretty turned off.

And we would find, when we did the usability test, people couldn't even figure out how to install Dropbox to begin with, like they would - we brought five people in literally off the street and keep zero of five, we kept a tally of all these things, zero out of five people even discovered that there is a tray icon or a little menu bar icon. And if you don't know that then you're going to have a lot of trouble getting back to your Dropbox folder and all kinds of other things, you'll not going to have a good experience and we were like wow zero percent. All right, because we get these emails, we get these emails to feedback to our feedback alias and one would be like, oh my god, Dropbox is amazing, I love it; and the next one would be like, I don't understand how you MIT nerds have - I got a PhD in physics, so I can't even understand this thing and there is like this diatribe like one right after the other. And we were like that's interesting and so we brought people in off the street and then we started seeing all these things, like okay the people are clicking, the screenshots in the tour because they think it's their computer. Well, you know you laugh but it's actually our problem right, these are people that, that would be paying us if they actually have a got experience. And all kind of it, they would click on Internet Explorer and it would obscure the download window, so they couldn't figure out where the download actually went. I mean it's just a list of dozens and dozens and dozens of things and we just sanded them down, we were just like, okay, well we're going to get to thing number 71 today and that, now if you actually install Dropbox you see this big bouncing green arrow whenever you - hey, this is the icon you have to click on to get to your Dropbox and so kind of a long answer to, it's amazing even just like 10% more friction might cut your audience in half and it's exponential. So we decided that it just was not worth the complexity to build that and just wasn't worth the engineering tradeoff. I have a start-up and we use Dropbox every day and I don't know if it's a preference or not but why did you go with an interface where if you remove the file but you're not removing a copy, that drives us crazy, is that a preference? So the question is, why is it when you - when someone moves something from a shared folder it moves and doesn't copy, and you know unfortunately that's just that we only have so much control over the underlying operating system or the Finder or Explorer on Windows, and that's just the way those things were designed and sort of the extra magic that get sprinkled on that Dropbox does, you know just isn't aware of it and so I mean there's probably some kinds of hacks that we can do to like, if you move something out of shared folder, warn you about it or maybe do different schemes to make things read only or things like that, but yeah we're aware it's a problem and that we should do something and make it better. It's just a limitation of the - or it's just a constraint where we don't actually make the underling operating system so we can only have so much control over certain aspects of how it behaves.

So you got really lucky finding a cofounder, what advice would you have for trying to find a cofounder? So what particular

skills do you value looking back? So the question is what do you look for in a cofounder? And I think first and foremost there has to be someone where you just really, really respect their judgment, and just sort of respect, just to have absolute faith and trust in them as a person. It doesn't mean they have to be good at everything in fact it's actually good if there's some complementarity and that there's some, there'll be things that you're both interested in and in mine and Arash' case we're both very passionate about the technology and the product design and are very opinionated about those things, and fortunately our tastes are pretty similar on that front. But then there's stuff where it completely diverges, I find the whole business side of the house absolutely fascinating, I think a lot about the broader strategy of how do we end up, we have the potential to be this really great company, but how do we actually get there given all that sort of minefield in the way and he does, is not at all interested in any of that stuff. He is happiest when he is like shaking an Android phone and discovering that when you long hold it like this and then rotate it and then shake it like you know there's some bug and he'll be responding to questions on the forums on his death bed and while I am capable of doing that like and I think it's important for everybody to do some element of that, I can focus on other areas but I know that he has like got that under control and so I think yeah it's really, you and your cofounder that's like you can't even really, I mean you could have some kind of horrible situation where like someone gets kicked out of these different things but they say, you can't divorce your investors and in most cases you can't really divorce your cofounder without pretty horrible things happening and if more important than that is really, you and your cofounder are kind of the seed crystal for the early team that's going to assemble around you, you know the first 10 people. Those first 10 people are going to be the seed crystal for the next 100 and it keeps going out from there and in general talented people are not going to like join people that are like less talented but there's often a lot of pressure you can sort of let the hiring bar go where you're like well we really need someone to solve this problem and it's really hurting us that no one is like building this thing. And so is it really, the big a deal that this engineer kind of bombed that question or like wasn't really that excited about Dropbox or isn't really going to work that hard, you know you have to say no. And so it's really just kind of finding someone that matches you in that way. How you do that is a much, you know it's like how do you find a spouse, it's like this. You'll spend more time with your cofounder than your spouse. How do you react to somebody telling you that it's just a feature and not a company? Question is, how do you respond to someone telling you that what you're making is a feature and not a product.

So Steve Jobs was giving us a little bit of hard time saying that we were a feature and not a product when we didn't wanted to sell our company. And so I mean everybody has got an opinion. You mentioned that hiring great people is a very valuable aspect of your company, but how do you spot great people? So the question is hiring great people is an important aspect of building a great company but how do you spot great people and it's actually a really good question because some of these things are more intuitive than other things because like for an engineer, a good engineer can generally recognize another good engineer because you can sort of analyze their code and have all these technical discussions and you're both very kind of versed in the same thing, but think about it, it's like okay, well if you don't play guitar and you see someone playing like a Beatles song, you're like oh my god that's amazing this person is like playing music and I can't even get my like fingers on the strings, you are like wow it's amazing. And this is the same way that someone who doesn't know anything about computers is like I need a website for my mortgage firm and I met this kid and he's typing all these symbols and he's so like building this amazing website and wow. But then after you meet more of these people, then you meet Jimi Hendrix you know like okay, but you can't tell or you can sort of tell but like, the point is by just having that one data point you know there's nothing to extrapolate from that, other than that oh my god this person knows so much about this area that I don't know anything about. And this is really important as a really important subject because as a founder you might be a good engineer but you're not good at all that other stuff, and pretty much anybody who has made their background in some of their area like business development person or a finance person has got to know a whole lot more about that than you, and so one interesting thing we did is well we screwed it up a few times, we hired people that just didn't work out, a very painful experience. A lot of our, probably all of our early business people for the first couple of years we hired as consultants, which is kind of strange, I don't, it's hard to play it the other way so I don't know if it's a net good thing or a bad thing but it worked well, so that we sort of got - we learned a lot in the process of kind of getting a brain dump from this person and then we also, we talked to large numbers of - a lot of marketing people or a lot of finance people or a lot of business development people and over time you get more and more context that says okay, well what's really important in this field and then who is the best person I have ever met on this stuff and there's another area if you get sort of the best possible investors that you can, then they'll have really great networks of talented people in all these different fields and that's something where you can help lean on them to interview these candidates on your behalf but that is actually one of the harder things about doing this is, how do you judge people who you have no context for what they do. What do you as a CEO focus on on a daily basis? So the question is, what as a CEO do I focus on on a daily basis. Another hard question to answer but certainly what is the highest leverage use my time is one kind of framing, okay how can, I think it's sort of, there's a very long answer to that question, it's really how do we make sure we're doing the core things really, really well, like making sure we hiring really good people, making sure we're building a great product and making sure our users are happy. And then there's a whole bunch of other things that you have to worry more or less about over time and then there's a lot, then you build a team around you and then have to make sure that they are happy and effective and all kind of running in the same direction and then there's invariably fires that have to be put out and so it's actually - it's surprisingly complicated question to answer because many days, but especially when people make the transition from being an individual contributor to being a manager, so many days pass, you're like oh my god what did I even get done today.

I am just like talking and I was just like responding to email and I am like. Do you focus on culture? It's the follow up question, do I focus on culture? Like absolutely, Arash my co-founder is even more opinionated about this stuff. One of my weaknesses was sort of double edge sword because I tend to be optimistic in general, and some are always like optimistic about people. So I am like, oh you know I'll give people to benefit the doubt and he's the other way around. So it's actually a good kind of counterbalance. So how you deal with cofounder share and why did Steve Jobs pick your company other than your competitors? Say the first part of the question. First question is how you deal with cofounder share. Cofounders. Like share percentage. Oh, share okay, dividing equity.

The second is why did Steve Jobs pick your company rather than your competitors? So, I'll answer both questions quickly. So how do you divide up equity with your cofounder, and again a very nuanced subject, without, but people have written great things about that, and actually it's one of those things where if you look it up on Quora or you search for things on Google to get some very knowledgeable responses and so I don't really have anything beyond that to add. And then to be honest it's one of the basic things around make sure it's subject to vesting, meaning that they get it over time, so that if you have some disaster situation you don't have to deal with that. And the second question was why did Steve Jobs pick our company over competitors? I think any company that does something interesting on their way up, that gets all kinds of conversations like that, that happen and I think, the start of the conversation was a complement that we had a great product and which is high praise, I'll take it. Anyway I presume it's - I can't answer that on his behalf but presumably they've clearly understood that this is something important. All right. Thanks a bunch. We got a basis of an agreement.